

BUREAU OF PROVINCIAL INFORMATION



THE FINANCES OF BRITISH COLUMBIA,

—BY THE—

HON. J. D. PRENTICE, MINISTER OF FINANCE.

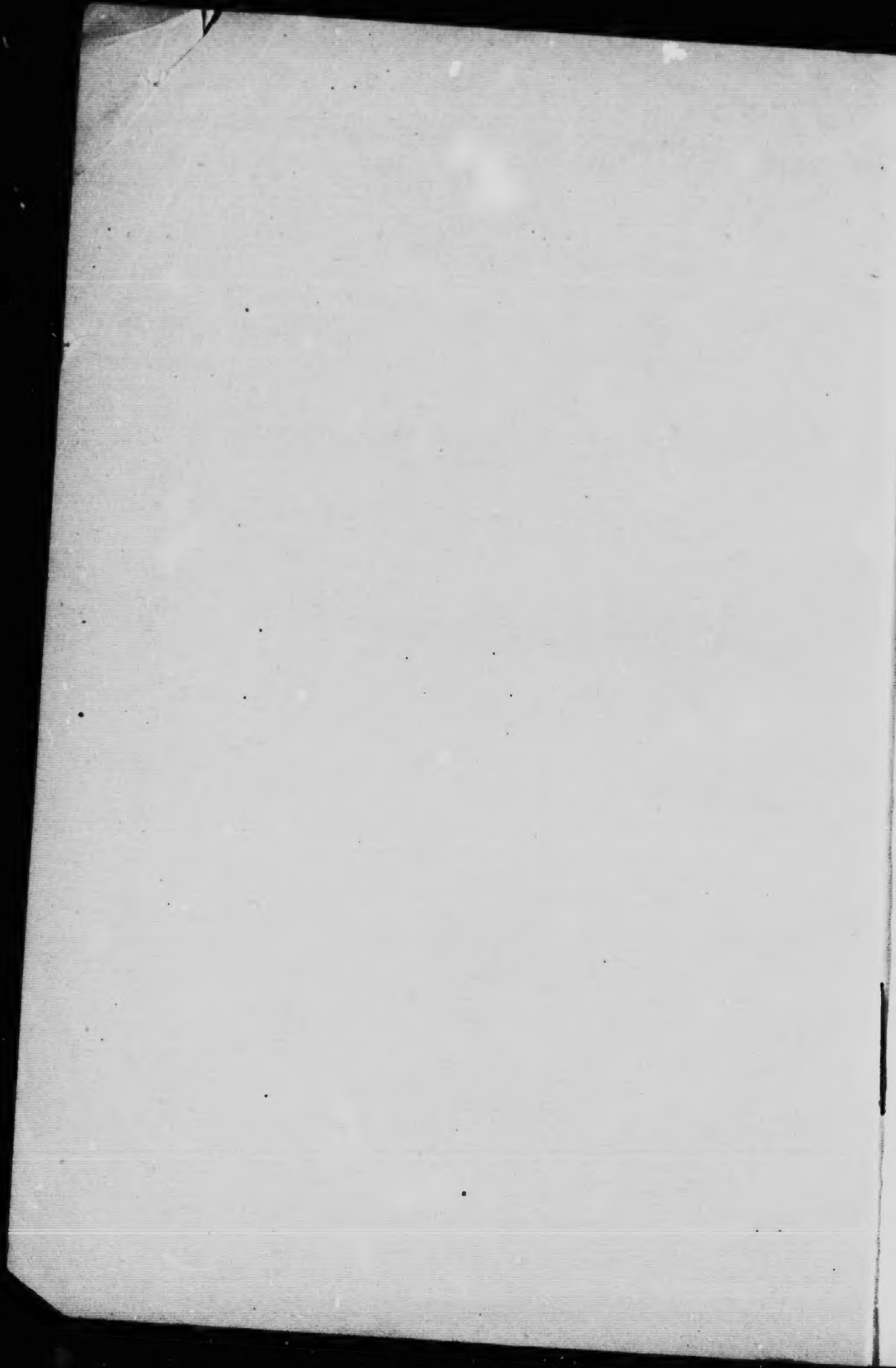
BULLETIN No. 6.



VICTORIA, B. C. :

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THE BUDGET SPEECH.

—:0:—

Delivered in the Legislative Assembly of British Columbia on Monday, April 28th, 1902.

—:0:—

Hon. Mr. Prentice, Minister of Finance, on moving the House into Committee of Supply, said:—

MR. SPEAKER: The motion which I am about to propose is the usual one at this stage—that the House resolve itself into Committee of Supply. But, before taking up the main question, viz., the Estimates, which have been submitted, and the financial affairs of the Province generally, I should like to state that I do so with a full realisation of the responsibilities of the position which I now occupy in rising in my place to deliver my first budget speech. I feel that I am somewhat handicapped in following the footsteps of Mr. Turner, who was Finance Minister of the Province for a period of 13 or 14 years. It is perfectly true that I was for some time in opposition to that gentleman, but I am now free to admit that I never knew Mr. Turner until I sat in Council with him; and I realise this, that in his Department and throughout the whole Province he will long be missed. I feel that it was not until his departure that we fully appreciated his splendid personality and his great worth. I am sure we all hope that he will be spared for many years to represent British Columbia in London. His duties in his present capacity are no ordinary ones, for upon him devolves the task of not only caring to a large extent for the credit of the Province in the largest money centre of the world, but, so far as lies in his power, of inducing emigration to and investments in this Province. On account of his great knowledge and experience, and the fresh information with which we propose to keep him supplied, he will be able most successfully to place before intending settlers and investors the great opportunities to both which are afforded in this Province. He is peculiarly qualified for this work, and I venture to say his labours will bear good fruit.

I propose, first of all, Mr. Speaker, to briefly deal with the Public Accounts to the 30th June, 1901, then with the accounts for the year ending the 30th June next and the Estimates for the year ending 30th June, 1903, now before the House.

Taking up the Public Accounts for the year ending the 30th June, 1901, it will be seen that the actual revenue for that year was \$1,605,920, and the total expenditure \$2,407,492; so that the gross deficit for the year was \$801,572. There was, however, put aside for sinking fund investment and redemption of debentures under the Loan Act of 1897 the sum of \$119,671, which sum, if deducted, leaves a net deficit of \$681,901. Now, sir, the explanation for this apparently large deficit can be found to some extent in the failure of the actual revenue to come up to the Estimates by \$151,319.

It is always difficult to estimate the revenue accurately so far ahead, especially in a Province like this, where some of the sources of revenue fluctuate so much. This deficit is accounted for chiefly from the fact that the arrears in land sales, timber dues, etc., were not collected as fully as expected, and from the fact that the speculative side of the mining industry did not come up to expectations. These arrears, Mr. Speaker, as you are aware, were not the making of this Government, but accumulated in the years of depression, when the government of the day found it difficult to make collections without imposing what appeared at that time to be a hardship on those engaged in the various industries in the Province, and upon settlers. Since times have improved, it was considered a wise policy to make collections of arrears by degrees. It has, however, been found a difficult matter, and the Government has decided to take decisive action, and, where found impossible, to wipe off worthless assets. We estimate, however, that a large percentage of these arrears will be realised upon. So far as last year's expenditures are concerned, Mr. Speaker, the members of the present opposition must bear their fair share of responsibility, as these were authorised by them as then supporters of the Government, and many of the large items were the result of their recommendation. The actual expenditure was \$111,676 less than the appropriations made by this House.

It is not my intention to go through the items of expenditure in detail, for the reason that no opposition could be raised by members of the present House. The Leader of the Opposition was a member of the Government, and his followers were supporting the Government at the time the Estimates were passed, and we have not exceeded the authority granted by this House in passing them.

The item of \$750,000 for public works in the Estimates of 1900-1901 was certainly a large one, but was due to the fact that many necessary expenditures were not carried on during the previous administration, and there were numerous persistent and well-founded demands from various parts of the Province for roads, bridges, and other public works in consequence of the rapid development, particularly in the mining districts. The Government has exercised all possible care in carrying out these expenditures, and so far as possible has minimised them, for as will be seen by the statement at the end of the Public Accounts, the general expenditure was \$19,663 less than the appropriations. It is all very well to talk of keeping expenditure within or near to revenue, but in new districts it would not be a wise policy; and in fact we cannot stop short of the actual requirements. At the present time, and for some time to come, these demands will continue, but we must certainly look to a time when the increased revenue consequent upon such expenditure will compensate for the outlay in the early stages. We are passing through experiences similar to that of all other new countries, but with the added difficulty that on account of the peculiar physical conditions the expenditure is much greater proportionately. In new districts, where population is limited, there is a great disparity between revenue and expenditure, but as population increases and industries are established the disparity grows less and less; in fact, the reverse should be the result. We have striking instances of this in such districts as Rossland and the Boundary, and we hope that many of the other mining districts which are in the development stage will prove to be similarly self-sustaining. In fact, the results in Kootenay prove

the wisdom of nurturing camps which are likely to be large ore-producers. Therefore, I say, situated as we are, we cannot stop short of the actual requirements without seriously hampering the future.

One of the items of increase of expenditure in 1900-1901 was due to the increase in Civil Government (Salaries.) This has been and probably will be criticised, but with the requirements of new districts opening up, and the augmentation of work in older ones, it is impossible to carry on the public service efficiently without increasing the civil list. One reason for this apparent increase is the fact that the salaries of the Land Registry Offices, formerly charged to Administration of Justice, are now placed properly under the head of Civil Government (Salaries). I want to point out here that the mining recorder and the constable are just as important in the development of a new district as the road superintendent and his men, and we therefore cannot fail to provide for these as the country opens up.

In the Estimates of 1901-1902 the revenue was estimated at \$2,140,750. This, so far as can be ascertained at the present time, was over-estimated by about \$335,000, as it is not anticipated that the revenue will exceed \$1,805,750. As I stated before, it is a difficult matter in many of the items of revenue to give an exact forecast, and at the time Mr. Turner framed his Estimates last year his reasons seemed to be well founded. Conditions at that time pointed to more favourable results in several important respects, but we cannot overlook the fact that business in some lines did not turn out so favourably as was anticipated. A further reason was the disappointment in collecting arrears already referred to, and these formed an important element in some of the items.

THE ESTIMATES.

Taking the current Estimate, which as I now before you, revenue is estimated to be \$2,222,568, and the expenditure \$2,468,127, leaving a gross deficit of \$263,559. Included in this are provisions for sinking fund to the amount of \$147,581, and redemption \$10,000, leaving a net deficit of \$104,028.

As I will proceed to show, I have made a very conservative estimate of revenue, it being \$328,000 less than the previous year. I have, however, deemed it wiser to take this course than to accept what may be problematical. I fully believe that the actual revenue will exceed the estimated revenue. The item of Dominion subsidy, which was increased as the result of the census last year, is of course fixed, and remains the same as last year. In the matter of land sales, we expect to collect only \$40,000, and in addition to that, arrears of payments to the extent of \$40,000, making \$80,000 in all; last year, \$120,800. In timber royalties and licences the amount is \$80,000, \$5,000 less than last year. Rentals, \$37,000, the same as last year. Timber leases, \$110,000, of which \$50,000 is for arrears. Free miners' licences are put down at \$100,000, or \$30,000 under last year. This estimate is based on the collections being made at the present time. Mining receipts, general, \$175,000, or \$25,000 less than last year. Licences, general, at \$80,000, an increase of \$10,000—an estimate based on the collections made this year. Marriage licences are the same as last year—\$6,000. Real property tax is estimated at \$130,000, based on the assessment rolls; this is an increase of \$5,000. In addition to this, we estimate \$80,000 for arrears. Personal property tax is \$80,000, an increase of \$5,000—which, plus \$60,000 for arrears,

amounts to \$140,000. Wild land tax is put down at \$50,000, the same as last year, with an addition of \$75,000 for arrears. Under this heading the Government proposes to make a strenuous effort to collect the arrears, and where this is impossible to take steps to regain possession of the land. This may be somewhat unpopular, but it is deemed necessary in the interests of the Province.

Income tax is placed at \$40,000, an increase of \$5,000. The revenue tax is estimated at \$150,000. Last year the estimate was \$200,000, which was on the basis of \$5 per head, but this was not put into force, as the \$3 rate was only collected, therefore this sum will not be reached; probable shortage under this estimate of \$60,000. Mineral tax is estimated at \$130,000; last year the estimate was \$80,000, which was below the mark, as it is anticipated that the collections during the present fiscal year will reach \$95,000. My expectations in this particular are based on the largely increased output, particularly at Rossland and in the Boundary country, and generally on the expansion of the mining industry now going on. The item of \$80,000 for registry fees is based on present collections; last year it was \$110,000. The receipts from the Hospital for the Insane at New Westminster are estimated at \$10,000, and in this connection I wish to refer to the results achieved by the new management, by which expenditures have been reduced five per cent., notwithstanding the increase of patients. Printing office receipts the same as last year, \$15,000. In the matter of revenue under the Chinese Restriction Act, I have placed \$40,000 in the Estimates. Last year, of the \$135,000 estimated, only \$45,000 was realised. The estimate of last year was based on an anticipated increase of the refund from the Dominion Government, which there was every reason to believe would be made. However, although there is good reason to believe that in the settlement of matters in dispute between the Province and the Dominion, the Province will receive a large sum in settlement of its claims for increased refund, I have based my estimate on what is probable under the present arrangement, which I may say is not at all satisfactory. Under the new proposed arrangement the Government of British Columbia is to get 50 per cent. of the revenue and assume control of the Lazaretto.

As I have intimated, we expected 75 per cent. of this head tax instead of 25 per cent., so that the figures should be as follows:—

Collection by the Dominion Government to 30th June,	
1901	\$1,624,275
Paid over to British Columbia	416,831
Actually in treasury of Dominion	\$1,207,444
Received by British Columbia (25 per cent.)	\$ 416,831
We should have received three-quarters	1,207,444
Balance due by Dominion to Province	790,613

The head tax should be increased, as the only effectual way of keeping out the Chinese, and in the event of its being increased to, say, \$500, this source of revenue will cease in a few years. Fifty per cent. from the Dominion Government is not enough. If the proposed arrangement by the Dominion Government means that all past and future expenses for the Lazaretto must be borne by the Province, it is most unfair. Upon what principle do we receive one-quarter or one-half? If there is any principle at all we should

get three-fourths or all. If Mr. Helmcken's resolution were acted upon by the Dominion, revenue from that source would stop and we should be burdened with the Lazaretto indefinitely. I beg to read an extract from the correspondence with the Dominion Government on this head, as follows:—

"In this connection, also, I desire, on behalf of the Government, to bring again to the attention of your Government the apportionment of the revenues arising out of the operation of the Chinese Immigration Act. While only one-quarter of the revenue so derived is returned to the Provincial Treasury, practically this Province has to suffer the whole of the evils arising from such immigration. What we beg to propose, and believe to be our right, is that the moneys remaining over after the expenses of administering the Act are met should be paid to this Government. The right of the Province to the present apportionment is, I understand, based upon the material effects of Chinese immigration in the Province, and is regarded as a compensation for resultant local evils. If the principle of any apportionment at all is a right and just one, then the claims of the Province to the whole of the revenue is equally obvious. I think that is so clear as not to admit of argument. The numbers of Chinese who find their way to Eastern Canada are small, and the effect on the labour market, in consideration of the largeness of the total population, is, in the aggregate, so insignificant as not to be appreciable. On the other hand, our population is so comparatively limited that any influx of Chinese is felt in a correspondingly increased ratio."

I now come to a new item in the Estimates, viz.: That of fisheries, which is put down at \$35,000. This is a very careful estimate and apt, if anything, to be exceeded. Negotiations have been going on in connection with the fisheries between the Hon. the Attorney-General and the Hon. the Minister of Marine and Fisheries, and we have reason to believe that the Province will receive \$15,000 for its share of licences for 1901, and \$20,000 for the current year. In addition to that, is the matter of foreshore rentals, and an impost on the salmon pack, both of which are now having the consideration of the Government.

Last year the estimate for succession duties was \$100,000, of which \$60,000 may be realised. This year it is put down at \$20,000. It is, of course, a very problematical source of income, and no exact estimate can be arrived at.

One of the most important items of revenue on the list is royalty, and tax on coal, which, as you will see, is down at \$130,000. Last year it was placed at \$95,000, which will be just about equalled by actual receipts. The increased output of Crow's Nest collieries and the present output of the Vancouver Island coal mines justify me in the estimate I have made.

EXPENDITURE.

We now come to expenditure. Under the head of Public Debt there is a charge of \$493,140. Last year it was \$416,140, which includes \$50,000 interest on the bank overdraft, as the latter will be met from the proceeds of the \$3,000,000 loan, for which authority will be asked during the present session. Should the loan be floated before the end of June, there will be no interest on overdraft to be provided for.

In Civil Government (Salaries) there is an increase of \$9,300, which is mainly caused by new positions created, which are shown in the Estimates. This is not a large increase.

It has repeatedly been asserted, when making a comparison between the expenditures on Civil Government (Salaries) for the fiscal years 1899-1900 and 1900-1901, that there was an increase of \$60,000 in the latter year over that of the previous one, implying that the additional expenditure was occasioned by the appointment of new officers as well as by increases to salaries.

The expenditure for 1900-1901 was.....	\$232,013 49
The expenditure for 1899-1900 was.....	172,577 24

But from this amount should be deducted the expenditure on Land Registry offices, viz.:.....	\$ 59,436 25
	\$ 26,399 66
	\$ 33,036 59

In explanation I may mention that in the year 1899-1900 the expenditure on Land Registry offices appeared under the head of Administration of Justice (Salaries). In the following year it was deemed advisable to transfer the vote for these offices to the proper service, namely, Civil Government (Salaries).

This transfer necessarily increased Civil Government (Salaries) by a very large amount, which on reference to Public Accounts 1900-1901, page 308, will be found a total \$26,399.66.

Last year the Administration of Justice (Salaries) was \$120,932; this year it is \$121,112—practically the same.

Last year Legislation was put down at \$41,425; this year \$44,195. The difference is principally caused by provision having to be made for registration of voters under the new Redistribution Act.

There is an increase of about \$4,000 for the Maintenance of Public Institutions, and this is necessary on account of increase in population.

There is an increase of \$1,500 for the Printing Office, and \$2,500 for the Bureau of Mines, to be applied to new plant material, etc.

An increase of \$400 is made for the Provincial Home at Kamloops, while expenditure on account of the Hospital for the Insane is the same as before. I have already referred to the excellent management of the latter institution under the able superintendency of Dr. Manchester.

PUBLIC WORKS.

A large reduction is shown in the item of Public Works, which is put down at \$662,200. Last year the estimate was \$804,641. This was an exceptional outlay, and necessitated by actual requirements and numerous demands. This year, however, it is felt that for the present at least the expenditure should be reduced, and the appropriations are \$19,633 less than appropriations for 1900-1901.

Miscellaneous has been increased from \$119,000 to \$137,570. This increase is largely accounted for by an extra vote of \$12,000 for the Board of Health. Owing to the prevalence of small-pox in the southern interior this year, which to stamp out required expensive, as well as prompt, measures, it was deemed advisable to place a sum in the Estimates sufficient to enable the health authorities to cope with similar emergencies without passing special warrants.

EDUCATION.

I now come to the consideration of the expenditure in connection with education, and this is proving to be one of the most difficult problems the Government has to deal with. The measure submitted last year had for its object the reduction of expenditure by throwing the onus of cost to some extent on the organised municipalities, but despite this, owing to the increase of population, the demand for new schools, etc., the estimate has been increased from \$369,000 to \$412,140.

Estimates, 1901-1902	\$369,037
Buildings	70,750
	\$439,787
Less six months' collection revenue tax, four coast cities.	20,000
	\$419,787
Estimates, 1902-1903	\$412,140
Buildings	62,750
	\$474,890
Less twelve months' revenue tax, coast cities.....	40,000
	\$434,890

An increase of \$15,353 or 3.55 per cent.

The expenses for education had been increasing at the rate of 10 per cent. These estimates provide for an increase of 3.55 per cent., which is largely due to the measure passed at last Session.

If the Government had been compelled to bear the whole cost of education in the 14 towns that have been placed on a similar footing to the four coast cities of Victoria, Vancouver, New Westminster and Nanaimo, the estimate would have largely exceeded the \$412,140 set down for next year. In each of the 14 towns a large amount of the cost of education has had to be borne by the citizens. That the new policy adopted by the Government has been successful, not only in this respect, but in others, is shown by the fact that from each of the Inspectors the Department of Education has received information to the effect that interest in education has been very largely increased as the result of the Municipalities shouldering a certain percentage of the cost.

The expense in connection with education is a difficult subject to be faced, and the solution will not be found by reducing salaries or lowering the standard of education. The staff is economical and the department ably administered.

RECEIPTS AND EXPENDITURES.

I have now, Mr. Speaker, reviewed briefly the various heads of receipts and expenditures, and indicated the reasons for increase and decrease, as the case may be. I have endeavoured, in a straight-forward and frank manner, to place the facts fairly before you, without any attempt to disguise their

significance, or in any way subject them to manipulation. In preparing the estimates, I have also endeavoured, as I have stated, to place the most conservative view possible upon the revenue, so that there shall be no disappointment. I conceive it to be better, at all times, to under-estimate rather than to be too optimistic. There are now several matters to be taken into consideration, which largely affect the finances of the Province, and to which I shall devote some attention.

DYKING.

In the first place, the present Government has to deal with the public debt created in connection with the construction and maintenance of dykes. The districts where dyking enterprises have been carried on under the several Dyking Acts are Maple Ridge, Matsqui, Chilliwack, Coquitlam, Pitt Meadows, Sumas and Surrey. The total acreage of the lands within the various districts enclosed by dykes is 43,442, and the total liability up to the 30th June last for construction (not including interest or sinking fund) is \$757,567, and it is estimated that an additional sum of \$195,000 is required to complete these works, making a total of \$952,567. This, you will observe, is a large sum of money, and under the peculiar conditions affecting the lands at present assessed, constitutes a very difficult problem indeed for the Government to deal with, as you will presently see. The interest on dyking debentures and on overdrafts at the bank, up to the 30th June, 1901, amounts to \$60,943. Towards this sum the whole of the above Districts have paid in only \$1,813.88, or, in other words, since taking over the dyking works from the control of Commissioners in 1898, and carrying them on under Government supervision, the Government has had to advance money for interest on the cost of the works to the amount of \$60,943, and has only been recouped to the extent of \$1,813.88, or about three cents on the dollar.

Under the provisions of the "Dyking Debenture Loan Act, 1897," an annual rate sufficient to provide a sinking fund for the final redemption of the debentures was to be imposed, chargeable to the lands and set aside for the purposes of redemption. The only moneys paid into the Government from the whole of the dyking districts up to the 30th June, 1901, on sinking fund account, amounts to \$777.86. It is necessary, therefore, for the protection of the debenture holders that a sufficient amount should be set aside out of the current revenue to provide a sinking fund, and this it will be necessary to do out of the new loan. I shall not discuss this matter further, except to say that the whole matter of dealing with the lands affected is having the consideration of the Government, and will be dealt with later on by the Chief Commissioner of Lands and Works, who will submit a report from the Commission appointed to examine into and report upon the whole matter. It is incumbent upon the Government, as a matter of fact, to deal with the matter in a comprehensive way and devise means for a permanent settlement. There is no doubt that a former Government, when it undertook to deal with the Fraser River lands subject to overflow, did so in the best of faith, and at the request of the landholders in these dyking districts, and made an earnest endeavour, not only to protect them, but to afford a method for utilising valuable lands otherwise largely useless. I believe that this question can be handled satisfactorily, and that without ultimate loss to the Province.

I now come to consider the overdraft, and what with interest on railway bonds and dyking debentures, it amounted on the 1st July, 1901, to \$871,171. You will remember last year that Mr. Turner in his Budget Speech predicted that it would be \$1,000,000, and that at the end of the fiscal year, 1902, it would be \$1,500,000.

I will give you Mr. Turner's own words:—"I will not criticise at length the policy of my predecessor in issuing only half the loan he was authorised to do in 1899. I consider, however, that policy wrong. Our credit then was good and money cheap. Our three per cents during the year were at par, and in 1898 had been 103. Only part, however, was issued, and now it would be difficult to get 90 for the remainder. The result of this is that on 30th June next we shall have a liability to the bank of approximately a million dollars, and by 30th June, 1902, a million and a half.

"We have now a Loan Act before the House which provides about a million for Public Works, and there is still power under former Acts for about another million, but as I have already hinted, the present is a most unfavourable time for an issue, owing to the conditions of the money market. This is clearly shown by the fact that British consols which, in 1899, were 112, are now 96, whilst British Columbia three per cents, which were up to 103, are now only 90 or 91. The Bank of England rate, in 1899, about 2 per cent., is now 4½, and has recently been 5 per cent., and may again go up. Under these conditions it would certainly prejudice the credit of the Province to go into the public market for a loan. It devolves on the Government, therefore, to make arrangements with a chartered bank for an overdraft, pending applying for a loan. This will place the Government in the favourable position of being able to issue whenever a good opportunity offers, thus removing the difficulty of being forced to issue at a certain date, whether the market is favourable or the reverse."

It will be seen how very accurately he predicted to this House and to the country what the needs of the Province would be, for, as I said before, the overdraft, 30th June, 1901, was \$871,171, and on 30th June, 1902, \$1,658,000.

Many people have criticised the Government for not borrowing under previous Loan Acts to cover this overdraft. The times were unfavourable for converting a floating into a fixed loan, for two reasons. These were the unsatisfactory state of the money market, due to the war, and the fact that we would have had to use up power under three old loans, the conditions of which vary; whereas a bill will be introduced in due course to extinguish or consolidate the powers taken to borrow under these Acts.

I can very easily show how the Province has saved money by not borrowing in the then state of the market. Our stock was then quoted at 90 and 91. It is now quoted at 92-94. I do not say we can get 93 for it on a new loan, but I do say that whatever we do get will be 2 per cent. better than we could have got in December. Now we pay the bank 4 per cent. on our overdraft. Our fixed debt costs us 3 per cent., so that the difference between floating a loan now compared with December works out as follows:—

2 per cent. less on \$1,500,000	\$30,000
1 per cent., 6 months, on \$1,500,000	7,500

Saving to Province

\$22,500

At the present time the overdraft is \$1,600,000, and when the revenue is all collected and expenditures made, at the end of the fiscal year, June 30th, 1902, it is estimated will be \$1,768,000.

NEW LOAN PROPOSED.

I now come to consider the question of a new loan, which it will be necessary for this Legislature to authorise in order to meet the overdraft, and to provide for works of necessary development. The Government has at the present time authority under several Acts, including the Loan Act of 1901, to issue one or several loans, amounting in the aggregate to \$1,878,952.00. The amounts are as follows:—

Under the Loan Act of 1891, £50,000.

Under the Loan Act of 1899, £234,230.

Under the Loan Act of 1901, \$500,000 for the construction of the Fraser River Bridge.

The amount in question, however, is not only insufficient, but the conditions governing the issuance of the several loans thereunder vary, so that the position has been an unsatisfactory one to go to the money market. For these reasons, and owing to the state of the money market, when the Government last fall came to consider the issuance of a loan it was decided better to defer action until the meeting of the Legislature, when a new Loan Act could be submitted repealing previous Loan Acts in so far as the unused authority was concerned, and taking authority to issue an entirely new loan to the amount required, namely, three million dollars. I may say, also, that owing to advices from London, the condition of the money market was not such as to justify a flotation. This did not apply especially to British Columbia securities, but to securities generally, to a large extent the result of the war, which had advanced the price of interest and in some measure unsettled financial credit. The Government, therefore, proposes to submit at an early date a measure as indicated, under which authority will be taken to issue a loan to the extent of three million or three million and a half dollars, subject to the usual conditions, with power to issue in inscribed stock or otherwise as may be deemed most advisable when a loan is placed on the market. It may be that under the present conditions it would be wiser to borrow in New York or some other American centre, but it will, of course, all depend upon the best advices to be obtained, and the judgment of financiers. On the question of issuing another loan a good deal has been said by critics, some of whom are financial men and others who are not, concerning the financial condition of the Province, and much has been said in this country and also in London, where adverse criticism is likely to have its greatest effect upon the credit of the Province, about the alleged unsatisfactory condition of our finances, and it has even been hinted at that we were on the verge of bankruptcy. Now in the first place, I wish to refer to the credit of the Province in London, where our inscribed stock is quoted, and where our loans have in the past mainly been floated. I have here a comparative list of the various colonial securities for the past five years, which have been taken from the official stock quotations. This will show at a glance that our credit, so far from being in a prejudicial state, has followed very closely the fluctuations of the stock market, going up and down in sympathy with consols and colonial securities, according as the market is affected by conditions which affect all similarly.

	1897.		1898.		1899.		1900.		1901 to June 30.	
	High.	Low.	High.	Low.	High.	Low.	High.	Low.	High.	Low.
Consols	113½	110	113½	106½	111½	97½	103½	96½	97½	92
N. S. W., in. 3 p. c. .	104	100½	103½	95½	101½	96½	101	98	100½	98
New Zealand	102	99½	101½	96½	99½	94½	98	98	98½	95½
Queensland	101½	97½	100½	95½	99½	94	99½	92½	94½	92½
South Australia	113½	109	110½	105½	108½	104	107½	103½	94½	92½
Victoria .....	.....	.....	.....	.....	.....	.....	98½	95½	99	93½
Dominion of Canada ..	108½	102	107	99	104½	96½	103½	97	101½	99½
British Columbia	105½	100	104½	98	101½	91½	95½	91½	93	90½
Nova Scotia .....	.....	.....	.....	.....	.....	.....	95	91	94	91
Quebec	95½	93½	95½	91	94	88½	98½	88	93	89½
C. of G. Hope (scp) ..	.....	.....	102½	60	98½	92½	98½	92	95½	93½
Ceylon	107½	104	107½	110	104½	100	101	98	99½	97½

The present price of consols is 93½-95½ and of B. C. securities 93-94 (since risen to 96). From 31st December, 1900, to 31st December, 1901, consols dropped 3½ points and New Zealand 3 per cents dropped 3½ points, while B. C. 3 per cents only dropped 2 points.

You will see, therefore, Mr. Speaker, from these quotations that so far from British Columbia securities being now, or at any time, discriminated against, they have occupied the same relative position throughout. This is undeniable, and it is nothing short of, I was going to say, criminal, to endeavour to injure our credit by such ill-advised criticisms as have been made. Comparing our stocks with consols, we find that British Columbia securities are actually from 1½ to 2 per cent. in a better position than they were five years ago; and, of course, consols must be our guide in matters of such comparison. We must borrow in order to develop, and to pay interest on cost of development we must tax. We have, however, the sources of revenue in sight, and in 1903, when the Finance Minister rises in his place in this House, he will be in a position to state that he has no deficit to face.

The financial ability and status of a Province must be determined by several conditions, viz.:—

- Progress and development;
- Amount of liabilities;
- Revenue-producing powers; and,
- Ability to meet increasing demands.

It will be seen that British Columbia has developed rapidly and substantially in population and production, and that in the face of many physical obstacles. Its per capita debt is largely exceeded by that of the chief colonies of the Empire, and by many of the principal countries of the world. Its revenue, derived from a very low rate of taxation, had it been limited to actual necessity, would have been more than sufficient to meet expenditure; but the physical character of the country demands extraordinary outlays in order to furnish means of communication, promote settlement, and provide facilities for development—in other words, rendering resources available. Its ability to meet increased demands is dependent upon an equitable return of its revenues to the Dominion for local purposes, to enable it to develop its enormous resources and the large per capita wealth also dependent for realisation upon further development.

DEVELOPMENT OF PROVINCE.

The increase in development of British Columbia is shown by the following:—

	1881. (census.)	1891. (census.)	1901.
Number of miners.....	2,792	4,591	10,000
Number of fishermen.....	1,850	3,798	23,000
Number of farmers.....	2,381	5,874	10,000
Number of houses.....	6,992	16,775	30,000
Population.....	49,459	98,175	177,272
<i>Revenue—</i>			
1871. \$192,000	1881. \$397,035 06	1891. \$1,038,237 95	1901. \$1,605,920
<i>Exports—</i>			
1871. \$1,912,907	1881. 2,255,753	1891. 6,199,280	1901. 21,645,000
<i>Imports—</i>			
\$1,790,352	2,489,246	5,477,411	11,137,436
\$3,702,459	\$4,744,999	\$11,676,691	\$32,782,436
<i>Revenue, Post Office—</i>			
1871. \$14,705	1881. \$22,519	1891. \$106,875	1901. \$250,000
<i>Revenue, Customs—</i>			
353,865	601,000	1,344,356	2,364,000
<i>By Province to Dominion—</i>			
376,318	695,330	1,862,145	3,391,180
<i>Coal Mined—</i>			
1874. Tons. 81,000	1881. Tons. 228,000	1891. Tons. 1,029,097	1901. Tons. 1,692,000

(In the following, 1886 is taken as the starting point, being the year in which railways first opened up.)

Aggregate Assessments—

Four Coast Cities.....	\$10,750,000	\$46,750,000	\$59,000,000
Number of schools...	92	166	318
Number of teachers..	116	242	543
Number of pupils....	5,345	11,495	23,615

During the ten years, 1890-1900, there were spent in—

Hospitals.....	\$ 528,000
Education.....	2,338,138
Roads, streets, bridges and wharves.....	3,790,775
Works and buildings.....	2,425,280
Surveys.....	330,473

In addition to this, aid has been granted by way of lands and guarantees to the Esquimalt & Nanaimo Railway, the Shuswap & Okanagan, Columbia & Kootenay, Nelson & Fort Sheppard, Nakusp & Slocan, Kaslo & Slocan,

Victoria & Sidney, the Columbia & Western, and the Crow's Nest Pass Railway Company, all of which are in actual operation. Assistance has also been guaranteed to the dyking and drainage of New Westminster District, for work being already constructed and that under construction.

PUBLIC DEBT.

The net debt of British Columbia on the 31st June, 1901, was \$6,407,757, which per head was \$36.38. In order to ascertain our liability we must compare this with the countries whose credit is undoubted. From the latest available returns I find that the net debt per head of:

Australia	\$267 00
France	151 36
Argentina	86 13
United Kingdom	75 47
Cape of Good Hope	67 47
Austria	65 86
Belgium	75 99
Canada	49 00

REVENUE AND TAXATION OF MINES.

Coming to the question of revenue from all sources, it has increased from \$192,000 in 1871, to \$397,035 in 1881; \$1,038,237 in 1891, and in 1901, \$1,605,920. There were on the 30th day of June, 1900, outstanding rentals due:—On timber leaseholds and rentals, \$90,000; on lands sold by public auction, on unsurveyed pre-emptions, and surveyed pre-emptions, \$540,000.

There were on the 31st December, 1900, \$520,000 due for unpaid taxes, making in all a total of \$1,150,000, 50 per cent. of which may be regarded as a good asset. These arrearages largely accumulated during the recent deep depression, and it has been considered advisable to permit the gradual payment of arrears of land payments and taxes, which is being done.

During the session of Parliament, 1900, an Act was passed enabling the Government to assess mines two per cent. on the value of output, less freight and treatment, and for the year 1901-2 and hereafter a very substantial revenue may be anticipated from this source.

This revenue had been derived largely from the Rossland and Boundary districts, and the law had been unpopular, as owners claim their low grade ores will not stand such a tax. It has been suggested to go back to the assessment plan, but that was considered impracticable by the best authorities. A similar proposition in the United States was thus spoken of in the Engineering and Mining Journal of March 15th, and the inference to be deducted was decidedly favourable to our system.

"The special session of the Colorado State Legislature has been devoting its chief attention to the framing of a revenue law which will meet the increasing needs and expenditures of the state, and also fairly distribute the weight of taxation. With this purpose in view, the question of taxing mines naturally takes a very prominent place; hence, these deliberations have been followed with peculiar interest, and not a little anxiety by those identified with this great industry.

"After exempting all mines from taxes of any character for a stated period after the organisation of the State Government, and by this means undoubtedly fostering the industry in a marked degree, the time arrived when the farmers, manufacturers and merchants of Colorado believed that they were justified in demanding that as now the mining industry was no longer an infant one, but come well into man's estate, those profiting by it should stand their share of taxes in support of the state and local administration. It does not appear that the owners of producing mines have seriously contended against this reasonable demand; yet it does appear that in the Legislature of the leading mining states of the Rocky Mountain region a great difference of opinion exists as to the proper mode of appraisal or determination of the value to be taxed. On one side the extremist, mainly the farming element, demand 'that the County Assessors assess all mines at their full cash value.' This seems simple enough—at least to the farmers. 'Just find what a mine is worth and tax it on that basis.'

"'How would you find the full cash value of a mine?' asked one of the skeptical legislators when this question was under discussion, to which the 'Father of the Bill' unhesitatingly replied: 'Just as you would a hog or a cow, or an acre of ground.' It surely speaks well for the consideration and courtesy shown toward all opinions in Colorado that even this reply seemed worthy of deference and discussion, although a doubt was expressed as to the ability of a County assessor to decide on questions which often perplex and mislead the most learned and experienced of experts."

"As it becomes evident that this view of values is not likely to prevail, substitutes abound in the place of it, and the middle way seems likely finally to prevail, this way being a compromise between the 'hog and cow' system and the net output theory. Differing from these, what more just and consistent method could be suggested than a tax on the gross output—that is, a tax on all moneys received from the sale of the mineral product of the mine? To this might also be added a proper tax on the improvements, these improvements to be appraised the same as are those of any manufacturing, mercantile, or even residence property. The question of depletion of reserve values for each dollar of output is here met by a tax on the value as it appears on record. This tax of 'gross output' as against 'net returns' also removes any objections as to extravagant and needless expenditures in the form of salaries, development, or surface adornments, while an appraisal of improvements can be made on precisely the same principles as are generally practised in kindred cases. As the final action of this legislative body may be cited as a precedent in other States, it is evident that the subject is one of more than mere local interest or concern.

"The House of Representatives has approved the following section of the General Revenue Bill, which is highly objectionable and deserves to be either defeated or substantially amended by the Senate:—

"That all mines and mining claims bearing gold, silver, lead, copper, or other precious or valuable metals, and the gross proceeds of possession rights in unpatented claims, shall be listed and valued each year, and shall be assessed at their full cash value. All surface improvements and all machinery located upon any mining claim or claims shall be separately valued for taxation. Provided that a non-producing mining claim or claims shall be assessed

and taxed like other property, according to the value thereof; and in ascertaining such value the Assessor shall, in addition to other requirements of this Act, take into consideration the location thereof, the proximity to other mines or mining claims, and any other matter which may tend to assist him in arriving at a fair and equitable valuation of such property.

"As an instance of the way this section is considered by the mining men, Mr. James F. Burns, manager of the Portland Mine, is reported to have cancelled an order for \$50,000 worth of new machinery, and to have said that if the law as above quoted goes into effect the mine will be closed, and kept closed, until the law is repealed. Colorado cannot afford to have such an unreasonable provision in its Statutes."

I had a proposal from one of the largest mining companies in the Kootenays, and the plan placed before me by the manager would not only, in his opinion, increase the revenue, but popularise the Government in the mining districts. I will read the memorandum submitted by him. He says:--

"The plan proposed as a substitute for the 2 per cent. tax is to tax all mineral claims, excluding surface improvements. The total amount to be raised is to be a definite sum, determined each year by the Lieutenant-Governor in Council, who shall, when the assessment rolls are complete, levy the particular rate necessary to secure this sum.

"Details of assessment should be left to the Assessors. All that is wanted is to have uniformity of method in all districts, and Assessors will naturally and necessarily do this.

"The advantages of the plan are as follows:--

"1. It relieves the Government of its difficulties:

"(a.) By giving it more revenue than the 2 per cent. tax, and a definite sum which may be counted upon:

"(b.) By leaving the amount and rate for each year entirely in the hands of the Government:

"(c.) By securing the credit for reforming a specially unpopular and irritating measure.

"2. It relieves the mining industry from the peculiar evil of the 2 per cent. tax, which is the fact that as lower grades of ore are mined the tax seizes increasing percentages of the net profits. This stops or limits all new enterprises for utilising low-grade ores.

"3. It not only relieves the industry from this evil, but will, moreover, actually benefit it by checking another peculiar evil to which it is subject. This is the fact that the great majority of claims are held by idle speculators or stock companies, who are waiting for some other claim-owners to develop and thus create a market for their properties. They will not develop themselves or make terms which will permit others to develop their claims. As everyone knows, the annual assessment work is a farce. Thus, each mining district, after the boom, passes into a state of hopeless paralysis from which there is no relief.

"These owners practically pay no taxes, although if asked to sell they demand \$10,000 to \$100,000 a value of their unimproved claims. Practically all the taxes, Dominion and Provincial, are now paid by the few owners who are developing and improving and trying to put their claims on a paying basis.

"There are 3,400 Crown-granted claims (about 100,000 acres) and recorded claims, (about acres). Only a very small percentage of these are being worked to-day. The new plan, by exempting improvements, makes all take a share of the load, and will tend to induce the dogs in the manger either to do something or get out. It will encourage reasonable terms for working leases or sales, and many claims will be relinquished, giving workers a show at them.

"4. It will be popular with the labour element, who understand clearly the benefit of anything which tends to increase active mining and create more work. They have no sympathy with idle claim-owners, whether they be collapsed stock companies or poor prospectors. The 'poor prospector' is largely a myth. There are few left in the Province, and these few are largely aliens without votes. There is no reason why a poor prospector any more than a company should hold idle property of alleged high value without his share of taxes. It will in reality benefit him, because more active properties make it easier for him to get work when out of cash."

The plan here proposed is of course that followed in several of the States of the Union, in which the mine is taxed on its assessed value, the same as real estate. There is something to be said in that behalf, but I can easily conceive instances of prominent low grade properties now in operation in which, if the mines were assessed at their actual or reputed values, according to this plan, they would pay not only 24 per cent of the net profits in taxation, but the whole of their profits; while mines adjacent, partially or wholly developed but not producing, would be subject to real hardship. I can, in fact, at the present stage of development, conceive how great injury and injustice could be done by adopting the scheme proposed in the foregoing.

During the session of 1900 a tax of five cents a ton was placed upon the coal mined in the old-established collieries of Vancouver Island, which had hitherto been exempt, which for 1901, at the rate of production, was \$65,010.

The revenue derived from coal mines more recently developed, or those that may be developed in the future, is at the rate of ten cents a ton. The Crow's Nest Coal Company, which is producing at the rate of over 2,000 tons per day, is therefore paying revenue at the rate of \$73,000 per annum. The output of those mines is increasing so rapidly and the demand so great that it is competently estimated that within five years the output will have reached, for coal and coke, 15,000 tons per day, producing a revenue of \$450,000 per annum.

As will be seen by reference to the mineral statistics, the annual output of the mines is still increasing. During the present year the Boundary country alone, which for the first time was a producing section, has had an output of over \$3,251,000, all mined and smelted in that district. So that the revenue from metalliferous mines, apart from the incidental receipts, which are always large, will in the aggregate be very great and will constantly and rapidly increase for many years to come. No matter how the taxes may be imposed, the rate of taxation is very low, being on real estate, $\frac{3}{5}$ per cent.; personal property $\frac{1}{2}$ per cent.; income, 1 to $3\frac{1}{2}$ per cent.; wild lands, $2\frac{1}{2}$ per cent.

It has been deemed in the past wise to maintain as low a figure as possible for the purpose of encouraging investments of capital, and for the operation of trade, industry and commerce, but it will be observed that these rates might be even naturally increased without becoming burdensome.

PROVINCIAL WEALTH.

Respecting the wealth of the Province per head of the population Mulhall includes in his estimate of the wealth of nations: Lands, cattle, houses, furniture, railways, ships, merchandise, bullion, sundries, etc. Taking, therefore, the value of some of these for British Columbia we find the value of

Miscellaneous and industrial establishments	\$ 18,000,000
Electric light and railways	3,500,000
Telephone	1,000,000
Water-works	2,500,000
Railways and telegraphs	65,500,000
Steamships and navigation	3,500,000
Mines and smelters (including coal)	50,000,000
Sealing, salmon canning and fish curing	3,500,000
Churches and schools	2,000,000
Bank deposits	8,000,000
Municipal assessments	58,000,000
Municipal public works and buildings	1,000,000
Provincial public works and buildings	6,000,000
Provincial assessments	40,000,000
Dominion public works and buildings	3,000,000
All commercial establishments	9,500,000
Timber, leases and privately owned (value estimated on quantity of standing timber)	65,000,000
	\$340,000,000

The above sum of \$340,000,000 represents a per capita wealth of \$1,910. But eliminating \$40,000,000 for duplications in assessments and public property, the per capita wealth is \$1,710.

The "Mulhall Harper Comparative Statistical Tables" give the following in regard to the principal countries in the world, 1896:—

	Per Capita.
Australia	\$1,229
United Kingdom	1,450
Denmark	1,104
Germany	749
France	1,210
Holland	878
United States	1,123
Canada	775

The above real property, personal property, wild lands and incomes are taken from the returns of the Government Assessor, and the municipal assessments are from the returns of the various municipal officers.

There are 1,450 miles of railway in this Province, which cost, roundly, \$60,000,000.

Of the public lands of the Province, the area of which is 65,000,000 acres, only about 26,000,000 acres, or one-tenth of the whole, have been alienated, including Crown grants, land subsidies to railways, the railway belt of the Dominion Government and all other alienations.

As the Indians, who number about 25,000, in round figures, do not own property, and are practically wards of the state, if they are eliminated from the population, placed at 175,000, leaving 150,000 upon which the estimates should be based, the per capita wealth would be raised to \$2,000. The Indians, however, are in possession of a large area of land included in their various Indian reserves, which is among the most valuable in the Province. Nor does the above statement for British Columbia include immense tracts of unalienated lands of which the Province is still in possession—mineralised, agricultural, pastoral and timber lands—which in the aggregate, as already seen, amounts to about 265,000,000 acres—or a public domain of 200,000,000 acres still untouched.

Per capita trade (population 1901, at 175,000) is \$180. Compared with this are:—

Holland	\$262
Australia	169
Switzerland	121
Great Britain	98
Belgium	111
Denmark	75
Canada	71
France	40
Germany	41
United States	29

The population upon which the various amounts of per capita commerce are based in the above are those of the census of 1890 and 1891, whereas British Columbia estimated on the same basis would have a per capita commerce of \$330 instead of \$180.

But in addition to these considerations, the Province has assets of its own which represent value received. A statement I have had prepared shows that the nominal assets of the Province are \$14,442,900. This, of course, includes public buildings and schools, of an estimated value of \$2,090,000; 6,500 miles of road, with an approximate cost of \$6,500,000; 5,000 miles of trails, with an approximate cost of \$1,000,000; wharves and bridges, \$336,000, or a total of \$9,036,000. These, of course, cannot be called assets in the ordinary sense of the term, because they are not realisable in the ordinary way, but they represent value, and in the same way as the works of the development of a mine represent value, or the improvement of a farm, and would have to be undertaken if not already in existence. We have in addition to that assets more or less realisable to the extent of over \$5,000,000, so that the Province is far from being in a position which some of its financial critics would have the public believe. As a matter of fact, no other Province in the Dominion has so much available public wealth at its disposal or anything like the same private wealth per capita to be drawn upon in case of an emergency.

THE FISHERIES.

We have also another asset, which appears in our Estimates this year for the first time, and which up to the present time has been regarded as exclusively the property of the Dominion. I refer to our fisheries. In the Quebec Official Gazette of the 15th February, 1902, I find the following paragraph in the Speech from the Throne.

"The negotiations opened some time ago with the Dominion Government to secure the recognition of our rights to the fisheries in territorial waters of the Province, have been continued. My Government has further submitted to the Federal authorities two important claims connected with this question of fisheries; one for the reimbursements to the Province of the amounts collected since 1867 for fishing licences and permits; the other for its share of the indemnity paid by the United States for the privilege granted the citizens of that country by the Washington Treaty to fish along our shores."

New Brunswick is also making a similar claim for the recognition of rights to fisheries in the territorial waters. What applies to these two Provinces and other Provinces similarly situated also applies to British Columbia, and if the claim be recognised, as we think it will, a very important addition will be made to the resources we have at our disposal, in the fisheries of our rivers and inland waters. The revenue from fishery licences and also from a tax upon the output will materially imburse the Treasury. We already appreciate fully the value of the salmon fisheries in the Fraser and other rivers, and we believe that in the development of the deep sea fisheries and the fisheries of our inland lakes, an additional fishery output will be obtained, as great, if not greater, than that arising from the salmon canneries. We know the value of the deep sea fisheries on the Atlantic Coast, and we have reason to believe that the food fishes of this coast are more extensive and varied. In Ontario and Manitoba the fisheries of the lakes are of large and increasing value, and we look forward, when the interior mining towns have grown to greater importance, to see a valuable fishery industry afforded by the interior lakes and rivers, realising millions of dollars annually.

I say, sir, considering all these great assets which we have at our disposal, there is little room for the cry of "blue ruin" which has been raised in some quarters.

I have from the facts set forth in the foregoing a very complete refutation of the attacks on our financial credit and ability to sustain a loan. I have already referred to the requirements of a growing country like this is, and while it is necessary to observe the strictest economy in the administration of public affairs, where our obligations are great and our requirements so numerous, at the same time if we are to progress in the future and realise upon the wonderful assets with which nature has provided us, we cannot stop short at the present time and say we will build no more railways, no more roads or public buildings, or expend money in developing our many industries, because upon these developments depend the revenue which we must expect in the future.

BETTER TERMS.

It is true that the Government has gone to the Dominion Government with a claim for better terms, and a case has been presented, based upon, as I have already pointed out in this House, several things.

First, the great disparity between the revenues which we contribute to the Dominion Government and the expenditure we receive in return, which for thirty years up to the 30th June, 1901, amounts in round numbers for contributions, to \$41,771,095, and for expenditure in this Province to \$28,170,828.

Second, that on account of the physical configuration of the country and the peculiar conditions which exist, the cost of administration is many times greater than it is in other provinces.

Third, that on account of our remoteness from the wholesale centres of the East, from which we receive a very large percentage of our supplies, the freight rates impose an additional burden which is not felt in Eastern Canada.

In view of these considerations, which, as I have previously shown, induced the Dominion Government to grant better terms to Nova Scotia, we think we are entitled to special consideration for treatment at the hands of the Dominion Government, and to a largely-increased subsidy. We believe we have proved these propositions up to the hilt, and that at least up to the present time there has been no successful, or, in fact, any contradiction of what we have set forth. "Right is might and will prevail," so we have been taught to believe, and we are confident that sooner or later these claims will be recognised and in a large measure, at least, provided for. The case which was presented at Ottawa last session by the delegation is a very strong one, but it has been supplemented, and will be still further supplemented by other and stronger representations. As has been announced by the Premier, Sir Wilfred Laurier has agreed to a second conference, which will take place this fall, at which, with more leisure at their disposal, the two governments will go more fully into the case. In the meantime it is not for this Government to cease in the work of development, because delay in important enterprises and important policies would simply mean to set back the country so many years more.

VICTORIA, B. C.

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